

## Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 SP-02 AID-05 EB-07 NSC-05 RSC-01

CIEP-01 TRSE-00 SS-15 STR-01 OMB-01 CEA-01 COME-00

CIAE-00 DODE-00 INR-07 NSAE-00 PA-01 USIA-06 PRS-01

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R 031759Z JAN 75

FM AMEMBASSY MOSCOW

TO SECSTATE WASHDC 5887

C O N F I D E N T I A L SECTION 1 OF 2 MOSCOW 0112

E. O. 11652: GDS

TAGS: ETRD, UR, PFOR

SUBJ: SOVIET REACTION TO US TRADE LEGISLATION: GENERAL  
UNHAPPINESS BUT TOP LEADERSHIP REMAINS SILENT

REF: A. MOSCOW 18932

B. MOSCOW 19027

C. MOSCOW 19142

D. MOSCOW 0042

1. SUMMARY: OVER THE APPROXIMATELY 14 DAYS SINCE THE US CONGRESS PASSED THE TRADE REFORM AND EX-IM BANK BILLS, SOVIET REACTION HAS BEEN ALMOST ENTIRELY CONFINED TO JOURNALISTS' STATEMENTS WITH NO COMMENTS BY TOP LEADERSHIP OR MINISTERIAL-LEVEL OFFICIALS. THE OVERALL TONE HAS BEEN NEGATIVE AND ACCUSATORY--THAT THE BILLS ARE LESS THAN SATISFACTORY, WILL IMPEDE DETENTE AND THE DEVELOPMENT OF US-SOVIET RELATIONS, INTERFERE IN INTERNAL SOVIET AFFAIRS, CRIPPLE SOVIET-US TRADE BY RESTRICTING EX-IM CREDITS. OVER THE PAST WEEK, THERE HAVE ALSO BEEN CHARGES THAT THE REAL LOSER WILL BE THE UNITED STATES WHICH FACES SEVERE INTERNAL ECONOMIC PROBLEMS AND THAT THE MAJORITY OF US BUSINESSMEN STRONGLY FAVOR DETENTE AND  
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EXPANDED TRADE. ALLEDEGLY, ONE A FEW "IRRESPONSIBLE LEGISLATORS,"

ZIONISTS AND COLD-WAR ADVOCATES STILL FAVOR RESTRICTIONS. ARGUMENTS SOVIETS NOW USING ARE STRIKINGLY SIMILAR TO THOSE USED 41 YEARS AGO WHEN EX-IM BANK WAS ESTABLISHED TO PROMOTE TRADE WITH NEWLY-RECOGNIZED USSR AND WHEN CREDITS WERE BLOCKED BECAUSE OF DISPUTES OVER RUSSIAN DEBTS. END SUMMARY.

2. DEC 27 PRAVDA TYPIFIED GENERAL TONE OF SOVIET PUBLIC REACTION TO TRADE AND EX-IM BILLS. IN ARTICLE, "AROUND THE TRADE BILLS," PRAVDA CLAIMS PUBLICATION TASS STATEMENT AND GROMYKO LETTER RECEIVED FAVORABLY BY MAJORITY AMERICANS WHO FAVOR DETENTE, ESPECIALLY GROWING TRADE AND ECONOMIC RELATIONS. QUOTES FROM PROMINENT BUSINESS LEADERS, INCLUDING CONTROL DATA PRESIDENT NORRIS, HALLCRAFT PRESIDENT JOHN MCMANN, "BUSINESSMAN FROM HOUSTON" AND PRESIDENT OF INTERNATIONAL COMMITTEE OF US CHAMBER OF COMMERCE D. GOLDY, CITED TO SUPPORT PRAVDA LINE THAT MOST AMERICANS SUPPORT POLICY OF ELIMINATION "DISCRIMINATORY LIMITATIONS ON TRADE INTRODUCED DURING COLD WAR YEARS." GOLDY REPORTEDLY INFORMED CONGRESS OF NATIONAL ASSOCIATION OF MANUFACTURERS SURVEY WHICH SHOWED 83 PERCENT AMERICANS APPROVE TRADE EXPANSION WITH USSR. CONCEPT THAT US NEEDS EXPANDED TRADE MORE THAN USSR SUPPORTED BY QUOTE THAT "USSR WILL IN END MANAGE WITHOUT US, AS IT HAS MANAGED SO FAR. THEY WILL TRADE WITH OUR PARTNERS, TRADE WITH MUTUAL ADVANTAGE. ONLY WE AMERICANS WILL LOSE BY THIS." TURNING TO EX-IM CREDITS, PRAVDA CLAIMS 1972 AGREEMENT INCLUDED PROVISION OFFER "ON BASIS RECIPROCITY" TRADE CREDITS WHICH ARE "COMPLETELY NORMAL WHEN FINANCING EXPORTS." EX-IM OFFICIAL WALTER SAUER AND SENATOR HUMPHREY CITED AS SUPPORTING NON-DISCRIMINATORY POLICY, SINCE ACCORDING HUMPHREY "TO DEVELOP TRADE WITHOUT CREDITS...THIS IS LIKE OPENING A LOCK WITHOUT THE KEY."

3. PRAVDA THESIS OF FAVORABLE EFFECT SOVIET TRADE ON U.S. EMPLOYMENT UNDERLINED BY QUOTES FROM "U.S. NEWS" (SIC) REPORT ON MACHINE-BUILDING INDUSTRY IN VERMONT, WHICH CLAIMED UNEMPLOYMENT IN AREA HAS FALLEN FROM 11 PERCENT IN 1972 TO 3.9 PERCENT. LARGE SOVIET ORDERS FOR MACHINE-TOOLS GIVEN AS "BASIC REASON FOR THIS FAVORABLE COURSE." UAW PRESIDENT WOODCOCK REPORTEDLY STATED THAT "US WORKERS DON'T SUPPORT THOSE WHO LINK GRANTING MFN TO INTERFERENCE IN SOVIET INTERNAL AFFAIRS. IMAGINE YOURSELF IN PLACE OF SOVIETS: WOULD WE ALLOW OTHERS TO DICTATE ULTIMATA

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TO US?" OPPONENTS OF DETENTE, ACCORDING PROVAD, USED TACTICS OF AMENDMENTS AND RIDERS TO TRADE BILLS TO "GROSSLY INTERFERE IN SOVIET INTERNAL AFFAIRS" SINCE THEY HESITATED TO DIRECTLY OPPOSE DEVELOPMENT FAVORED BY MAJORITY. REFERRING TO MAJORITY AS "SENSIBLE PEOPLE" PRAVDA SAYS THEY ARE CONVINCED THAT TRADE BILLS AS PASSED "GO AGAINST LETTER AND SPIRIT OF SOVIET-AMERICAN AGREEMENTS AND ARE CONTRARY TO US NATIONAL INTERESTS." THOSE RESPONSIBLE FOR DISCRIMINATORY FEATURES OF BILLS DUBBED

"SEVERAL LEGISLATORS WHO ARE PUTTING PERSONAL AMBITIONS ABOVE NATIONAL INTERESTS." ARTICLE CONCLUDES ON UNDISGUISED WARNING THAT "MORE THAN ONCE IN PAST THOSE WHO INSIST ON PRESENTING DEMANDS TO THE SOVIET UNION HAVE WOUND UP WITH ACTION TURNED AGAINST THEM."

4. OTHER SOVIET PRESS COMMENT PAST WEEK REPEATED MAIN THEMES OF PRAVDA ARTICLE. "INTERNATION WEEK" COMMENTARY, DEC 29 PRAVDA, COMPARED YEARS 1932 WITH 1974 (I.E., FOURTH YEAR OF FIRST FIVE-YEAR PLAN WITH FOURTH YEAR OF CURRENT PLAN): SOVIET SITUATION BOTH YEARS INCLUDED "WORKERS' SUCCESSES, DYNAMIC DEVELOPMENT OF ECONOMY, GROWTH OF WORKERS' WELFARE" WHILE US FACED "STAGNATION IN ECONOMY, GROWING UNEMPLOYMENT, AND PENDING DEPRESSION." US SENATE IN EARLIER PERIOD "FORECED TO FINALLY RECOGNIZE EXISTENCE OF USSR," WHILE NOW, PRAVDA WRITES, IT INCONCEIVABLE TO SOLVE ANY WORLD PROBLEM WITHOUT SOVIETS. SOVIETS WANT ECONOMIC RELATIONS "NOT JUST FOR CLEARLY PRACTICAL REASONS" BUT BECAUSE THEY CREATE "THEIR OWN TYPE OF MATERIAL FOUNDATION FOR STABLE IMPROVEMENT OF PEACEFUL INTERNATIONAL RELATIONS." REFERRING TO THOSE WHO ARE "AGAINST SOLIDIFYING FOUNDATION OF NEW POLITICAL RELATIONS. . . DEVELOPMENT OF ECONOMIC RELATIONS WITH SOCIALIST STATES," PRAVDA CLAIMS THEIR ACTIONS HAVE AROUSED IRONIC COMMENTS IN WEST EUROPEAN CAPITALS ABOUT "ZEAL OF OPPONENTS OF SOVIET-AMERICAN TRADE WHO TRY TO ERECT ALL KINDS OF BARRIERS." FACED WITH "STERN LESSONS OF LIFE--AGGRAVATION OF THE GENERAL CRISIS OF THE CAPITALISTIC SYSTEM, OF ALL ITS INTERNAL CONTRADICTIONS," WESTERN LEADERS HAVE BEEN FORCED TO "UNDERTAKE A RE-EXAMINATION OF MANY DECREPIT CONCEPTS, FIRST OF ALL THE NEGATIVE ATTITUDE TOWARDS ECONOMIC COOPERATIONS," ACCORDING TO PRAVDA. WHILE THE USSR FAVORS SUCH ECONOMIC COOPERATION, PRAVDA POINTS OUT THAT THIS IS "BY NO MEANS IN ORDER TO SAVE THEM (CAPITALISTS) FROM CRISIS ... THIS IS AN INNATE DEFECT OF THE SYSTEM, AND CAPITALISM HAS

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NO SALVATION FROM IT."

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FM AMEMBASSY MOSCOW

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C O N F I D E N T I A L SECTION 2 OF 2 MOSCOW 0112

5. IZVESTIA, DEC 28, AGAIN LINKS ECONOMIC AND POLITICAL DEVELOPMENTS IN "INTERNATIONAL OBSERVER" COLUMN WITH THE STATEMENT THAT "IT IS ESSENTIAL TO UNDERPIN THE BUILDING OF POLITICAL COOPERATION WITH A SOLID AND RELIABLE FOUNDATION...ECONOMIC COOPERATION." IN MOST RECENT COMMENTARY, PRAVDA, JAN 2, ARTICLE TITLED "TIME FOR DIFFICULTIES AND HOPES," PAINTS EXTREMELY GLOOMY PICTURE OF NEW YORK AT CHRISTMAS (INCREASING SUICIDES DUE TO UNEMPLOYMENT, MILLIONS OF POOR PEOPLE LINED UP FOR STATE ASSISTANCE, MIDDLE CLASS THREATENED BY INFLATION, NO PRESENTS FOR CHILDREN), IN CONTRAST WITH HOPES FOR FUTURE PRESENTED BY DEVELOPMENT IN SOVIET-AMERICAN RELATIONS, ESPECIALLY ECONOMIC TIES. AT SUCH TIME CONVICTION IS STRENGTHENED AMONG MOST AMERICANS THAT "PLAYING POLITICS IN RELATIONS TO THE KEY PROBLEMS OF MODERN WORLD, ATTEMPTS TO MEDDLE IN INTERNAL AFFAIRS OF OTHER COUNTRIES" NOT ONLY "GOES AGAINST THE SPIRIT OF THE TIMES BUT BORDERS ON POLITICAL IRRESPONSIBILITY." MAJORITY OF AMERICANS REPORTEDLY ENTER NEW YEAR WITH HOPE THAT "PROCESS OF FURTHER DEVELOPMENT IS MAKING THE INTERNATIONAL CLIMATE MORE HEALTHFUL."

6. VARIOUS COMMENTS BY SOVIET OFFICIALS TO EMBOFFS AND OTHER CONTACTS SUPPORT MAIN THRUST OF SOVIET PUBLIC POSTURE. AT  
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EMBASSY CHRISTMAS RECEPTION USA INSTITUTE DIRECTOR ARBATOV EXPRESSED QUALIFIED HOPE TO AMBASSADOR THAT TRADE AND OTHER ASPECTS US-SOVIET RELATIONS CAN PROCEED, IN SPITE EMIGRATION PROVISIONS OF TRADE BILL. HE SAID PUBLICITY ON EMIGRATION QUESTION HAD AROUSED "STRONG EMOTION" IN LEADERSHIP. ALBERT MAKEYEV, DEPUTY CHAIRMAN, SOVIET FOREIGN TRADE BANK, IN RECENT TALK WITH U.S. BANKER HERE, CLAIMED HE "DISGUSTED" WITH EX-IM

LEGISLATION AND SAID SOVIETS WOULD PROBABLY NOT ACCEPT CREDIT IF LIMITED TO DOLS 75 MILLION PER YEAR. FOREIGN AFFAIRS MINISTRY OFFICIAL (FEDOSEYEV) PLACED EMPHASIS ON CREDITS QUESTION IN EXPRESSING DISPLEASURE TO EMBOFF WITH REGARD TRADE LEGISLATION. FEDOSEYEV REPEATEDLY REFERRED TO ECONOMIC DIFFICULTIES IN WEST BUT INSISTED SOVIETS WOULD NOT ATTEMPT INCREASE PROBLEM SINCE USSR VIEWS US AS "NECESSARY TRADING PARTNER." OFFICIALS OF US-SOVIET TRADE AND ECONOMIC COUNCIL INFORMED EMBASSY THAT THEIR SOVIET CONTACTS IN FOREIGN TRADE AREA TAKING GENERALLY NEGATIVE STANCE ON TRADE LEGISLATION, CLAIMING THAT MFN PROVISIONS WERE "INSULTING," THAT 18-MONTH REVIEW PROVISION MADE ANY EXTENSIVE MARKET DEVELOPMENT IMPOSSIBLE, AND THAT VOLUME OF CREDIT FORESEEN BY EXIM LEGISLATION IS INSIGNIFICANT. AT HOLIDAY RECEPTION OFFICER OF ROMANIAN EMBASSY TOLD EMBOFF THAT HIS SOVIET CONTACTS WERE UNHAPPY WITH TRADE BILLS, CITING SAME REASONS AS CASES ABOVE, BUT INTRODUCING FURTHER CLAIM OF "DISCRIMINATION" IN SAYING THEY CERTAIN THAT ANTICIPATED STRINGENT TESTS FOR SOVIETS WITH REGARD EMIGRATION AND CREDIT STATUS WILL BE IGNORED WHEN PROJECTS FOR OTHER SOCIALIST COUNTRIES, ESPECIALLY ROMANIA, ARE UNDER CONSIDERATION.

7. COMMENT: ALL SOVIET COMMENT OVER THE RELATIVELY BRIEF TWO-WEEK PERIOD SINCE BOTH TRADE AND EX-IM BILLS CLEARED CONGRESS HAS BEEN PRELIMINARY IN NATURE. NO PUBLISHED STATEMENTS HAVE BEEN ATTRIBUTED TO ANY OF CHIEF GOVERNMENT PERSONALITIES OR TO FOREIGN AFFAIRS OR FOREIGN TRADE MINISTRY OFFICIALS. WHILE FURTHER EDITORIAL PRONOUNCEMENTS MAY APPEAR AT ANY TIME, GIVEN THE PONDEROUS NATURE OF SOVIET BUREAUCRACY WE SUSPECT FURTHER INTENSE DISCUSSION WITHIN GOVERNMENT AND TOP PARTY LEVELS WILL PRECEDE A DEFINITIVE PUBLIC STANCE. ALTHOUGH SOVIETS MAY REGARD PRESIDENT FORD'S APPROVAL OF BOTH BILLS A FOREGONE CONCLUSION, AND GENERAL SOVIET DISSATISFACTION IS CLEAR, ABSENCE OF HIGH LEVEL COMMENT TO PRESENT IS NOT SURPRISING SINCE SOVIETS ARE UNDOUBTEDLY AWAITING FURTHER EXPRESSION OF

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PRESIDENT'S OWN VIEWS--PROBABLY IN CONNECTION WITH BILLSIGNING. AND THE OFFICIAL REACTION, WHEN IT APPEARS, MAY NOT BE WHOLLY NEGATIVE: FOLLOWING A RECENT MEETING WITH DEPUTY FOREIGN TRADE MINISTER ALKHIMOV, AN AMERICAN BUSINESSMAN DESCRIBED HIS ATTITUDE TOWARD FUTURE ECONOMIC TIES WITH US AS OPTIMISTIC.

8. THE CURRENT SITUATION SUGGESTS INTERESTING PARALLELS WITH EVENTS SURROUNDING ESTABLISHMENT OF EX-IM BANK NEARLY 41 YEARS AGO. THEN AS NOW, EARLY SOVIET OPTIMISM WAS SUCCEEDED BY DISAPPOINTMENT AS ACRIMONIOUS NEGOTIATIONS OVER SETTLEMENT OF RUSSIAN WORLD WAR I DEBTS DRAGGED ON. CURRENT SOVIET REACTION WILL BE FAMILIAR TO THOSE WHO REMEMBER SOVIET ARGUMENTS THEN TO EFFECT THAT LOSER IN THE EVENT THAT TRADE DID NOT EXPAND WOULD BE UNITED STATES, SINCE USSR COULD TRADE ELSEWHERE AND

WAS BECOMING INCREASINGLY SELF SUFFICIENT. AND THEN AS NOW,  
SOVIETS APPARENTLY COUNTED ON AMERICAN BUSINESS CIRCLES TO INSIST  
THAT COMPETITIVE FINANCING ARRANGEMENTS SOMEHOW BE ACHIEVED.

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